

VZCZCXRO7879  
PP RUEHDBU RUEHIK RUEHLN RUEHPOD RUEHVK RUEHYG  
DE RUEHKV #2676/01 2970922  
ZNR UUUUU ZZH  
P 240922Z OCT 07  
FM AMEMBASSY KYIV  
TO RUEHC/SECSTATE WASHDC PRIORITY 4175  
INFO RUCNCIS/CIS COLLECTIVE PRIORITY  
RUEHZG/NATO EU COLLECTIVE PRIORITY  
RUEHMO/AMEMBASSY MOSCOW PRIORITY 0264  
RUEHMT/AMCONSUL MONTREAL PRIORITY 0008

UNCLAS SECTION 01 OF 02 KYIV 002676

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STATE FOR EUR/RUS PATTERSON  
EEB BYERLY AND COLEMAN  
USDOC FOR 4231/ITA/MAC/EUR/RISA BROUGHER AND BEADLE  
USDOC FOR 3004/CS/ADVOCACY/BLOOM  
USICAO MONTREAL FOR LAURA FAUX-GABLE  
NSC FOR WARLICK AND MCKIBBEN

E.O. 12958: N/A

TAGS: [E](#)[A](#)[I](#)[R](#) [E](#)[T](#)[R](#)[D](#) [K](#)[T](#)[I](#)[A](#) [P](#)[R](#)[E](#)[L](#) [U](#)[P](#)

SUBJECT: UKRAINE: SAA TELLS IATA TICKET STOCK OK, BUT  
BRINGS UP NEW ISSUES

REF: A. KYIV 2542

- [1](#)B. KYIV 2383
- [1](#)C. KYIV 1974
- [1](#)D. KYIV 2788
- [1](#)E. STATE 10632

[1](#)1. (SBU) Summary. On October 19 in Kyiv, State Aviation Administration (SAA) officials confirmed to visiting International Air Transport Association (IATA) officials that the dispute surrounding IATA's paper tickets (ref D) had been solved, and that sanctions against IATA had been lifted. However, the SAA said it still had outstanding issues with IATA's electronic tickets, and objected to IATA's recent resolution to switch to the Euro from the US dollar for airline ticket fares. IATA agreed to the SAA suggestion to refer the e-ticket issue to a working group, and agreed to give Ukraine more time to address the commercial implications of switching from the Dollar to the Euro. Admitting that its decision to challenge the paper ticket issue may have ruffled feathers at the SAA, IATA is now deliberately taking a cooperative approach to test whether the Ukrainian civil regulator's concerns are genuine, and not just a front for Ukrainian interests in acquiring part of the lucrative and growing market now serviced by IATA. End summary.

[1](#)2. (SBU) On October 19, EconOff attended a special meeting between SAA and IATA officials and airline representatives. IATA sent its Senior VP for Industry Distribution and Financial Services Tom Murphy, its Regional Rep for Russia and CIS countries Dymtry Shamraev, and its Rep in Ukraine Sergei Martynyuk. Deputy Chairman Dmytro Babeichuk and Head of Air Services and Licensing Sergiy Korshuk represented the SAA. Representatives from Ukrainian International, AeroSvit, Delta Airlines, and KLM/Air France were also in attendance. IATA's Tom Murphy took a reconciliatory approach and apologized if IATA had given the impression that it did not want to follow Ukrainian law (Note: IATA had opted to pursue the ticket stock issue in Ukrainian courts, only finally registering the ticket stock when sanctions had been imposed. To date, IATA officials still believe the registration is unwarranted. End note).

[1](#)3. (SBU) The SAA's Babeichuk expressed gratitude for IATA's apology and reminded IATA that all businesses operating in Ukraine, either foreign or domestic, must abide by Ukrainian law. Babeichuk also told IATA that all subsequent batches of

ticket stock would need to follow the same registration process that IATA had recently completed. IATA's country manager in Ukraine Sergei Martynyuk promised that this would be done before IATA imported any batch of ticket stock to Ukraine. The SAA's Head of Air Services and Licensing Sergiy Korshuk stated that the SAA did not have any vendetta against IATA; the SAA simply wanted IATA to comply with Ukrainian law. IATA's Murphy agreed, and both parties expressed their gratitude that the infamous ticket stock issue had finally been resolved.

#### Ticket Stock Issue Resolved, But Not E-tickets

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14. (SBU) Next, the SAA's Babeichuk regretted that the SAA was still concerned about the future of e-tickets, noting that in the opinion of the SAA, e-tickets by themselves did not meet the standard of an official accountable document laid out in current Ukrainian law. Babeichuk suggested that an e-ticket working group be formed consisting of IATA, SAA, and airline representatives as soon as possible to arrive at a quick solution to the e-ticket issue. (Note: In ref C, the SAA contended that e-tickets will need an accompanying tax document, which according to Korshuk, can be purchased from a local Ukrainian printer for approximately \$0.43 each. IATA processed approximately 330,000 e-tickets in Ukraine last year, which would have equaled roughly \$141,900 in income for this local company last year. End note). The SAA said that a working group would be the best forum to determine the steps needed to make e-tickets legal documents for official Ukrainian accounting purposes. IATA officials agreed, understanding that the working group would lead to a solution whereby e-tickets, as they exist now, would get appropriate legal status being accompanied by an additional document.

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#### Euro or Dollar? That is the Question

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15. (SBU) IATA's Tom Murphy next addressed the IATA's recent decision to switch its main currency for airline ticket fares from Dollar to Euro beginning November 1. Murphy told the SAA that the decision was made unanimously at an IATA conference in July. He noted no representatives from either Aerosvit or Ukrainian International Airlines (UIA) were at the conference to voice their concerns or veto the resolution. Murphy noted that either of the Ukrainian airlines could have vetoed the move.

16. (SBU) The SAA explained that UIA had expressed its concerns with the resolution (albeit not at the July IATA conference), and the SAA had agreed with UIA's concerns. The hryvnia was pegged to the dollar, and not the Euro, the SAA pointed out. Ticket prices quoted in hryvnia remained stable as a result. On the other hand, ticket prices in hryvnia would oscillate in tandem with changes in the hryvnia/Euro exchange rate if IATA switched to the European currency. UIA and the SAA feared that such a practice could prove economically damaging to Ukrainian carriers. Murphy was unable to convince either the SAA or the UIA representative that the switch made economic sense in the long run. The SAA decided to send a letter of their disapproval of the resolution that same day, which would result in the immediate postponement of the resolution which was supposed to take effect on November 1. Both the SAA and IATA agreed that the resolution would be temporarily suspended in Ukraine, allowing Ukrainian airlines more time to prepare for implementation. The KLM/Air France representative then asked the SAA when the implementation of the Euro could happen, and the SAA replied that it could not set a concrete date, but it was hopeful that implementation would occur before summer 2008.

17. (SBU) Comment. IATA and the foreign airlines, including Delta, are happy with the results of the meeting and

expressed thanks to the Embassy for its support. We hope that they are not celebrating too soon: the controversy surrounding IATA's paper tickets may be resolved, but the SAA wasted no time in bringing up new concerns. IATA, which admits that its decision to contest the paper ticket registration issue may have ruffled feathers at SAA, has now decided to adopt a cooperative approach to test the willingness of the SAA to work cooperatively, and has agreed to discuss the e-ticket issue in a working group. In doing so, however, IATA points out that it has not had to face such issues in the more than 140 other countries where its members do business. The SAA's approach to electronic ticketing and the currency issue will show whether its concerns are truly substantive, or whether it is troubling IATA on behalf of other interests (ref D), as some in the industry fear. End comment.

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